

PORTAGE LAKE DISTRICT LIBRARY
FINANCIAL STATEMENTS
WITH SUPPLEMENTAL FINANCIAL INFORMATION

June 30, 2004 and 2003

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name PORTAGE LAKE DISTRICT LIBRARY	County HOUGHTON
Audit Date 6/30/04	Opinion Date 8/1/04	Date Accountant Report Submitted to State: 9/30/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) BRUCE A. RUKKILA, CPA, PC			
Street Address 310 SHELDEN AVENUE	City HOUGHTON	State MI	ZIP 49931
Accountant Signature <i>Debbie Bradford</i>		Date 9/30/04	

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORTS:	
Independent Auditor's Report	3
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	4
GENERAL PURPOSE FINANCIAL STATEMENTS:	
Balance Sheets	5
Statements of Revenues, Expenditures, and Changes in Fund Balances	6
Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual	7
Notes to Financial Statements	8
SUPPLEMENTAL FINANCIAL INFORMATION:	
Detail Statements of Expenditures	14
COMMENTS AND RECOMMENDATIONS LETTER	16



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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Portage Lake District Library
Houghton, Michigan

We have audited the accompanying general purpose financial statements of the Portage Lake District Library as of and for the year ended June 30, 2004. These general purpose financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The general purpose financial statements referred to above do not include the General Fixed Assets Account Group, which should be included in order to conform with generally accepted accounting principles. The amount that should be recorded in the General Fixed Assets Account Group is not known. In addition, the Library has not adopted the reporting format of Governmental Accounting Standards Board Statement No. 34.

In our opinion, except for the omission described in the preceding paragraph, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Portage Lake District Library as of June 30, 2004 and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 1, 2004 on our consideration of the Portage Lake District Library's internal control over financial reporting and our tests of its compliance with laws, regulations, contracts, and grants.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplemental information is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Portage Lake District Library. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statement and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Bruce A. Rukkila, CPA, PC
Certified Public Accountants

August 1, 2004



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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Trustees
Portage Lake District Library
Houghton, Michigan

We have audited the general purpose financial statements of the Portage Lake District Library as of and for the year ended June 30, 2004, and have issued our report thereon dated August 1, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Portage Lake District Library's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Portage Lake District Library's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the board of trustees and state audit agencies. However, this report is a matter of public record and its distribution is not limited.

Bruce A. Rukkila, CPA, PC
Certified Public Accountants

August 1, 2004

PORTAGE LAKE DISTRICT LIBRARY
BALANCE SHEETS
June 30, 2004 and 2003

	Governmental Fund Type	Account Group	Totals (Memorandum Only)	
	General	General Long-Term Obligations	2004	2003
ASSETS				
Cash	\$ 254,428	\$ 0	\$ 254,428	\$ 215,367
Receivables:				
County penal fines	20,008	0	20,008	24,996
Taxes	36,078	0	36,078	44,904
Other	0	0	0	1,568
Prepaid expenses	5,148	0	5,148	7,762
Investments	4,050	0	4,050	3,558
Amount to be provided for long-term debt		8,179	8,179	8,358
TOTAL ASSETS	\$ 319,712	\$ 8,179	\$ 327,891	\$ 306,513
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Accounts payable	\$ 1,837	\$ 0	\$ 1,837	\$ 3,539
Accrued wages and payroll withholdings	5,181	0	5,181	10,049
Other short-term payables	751	0	751	800
Deferred revenue	2,418	0	2,418	0
Accrued sick and vacation	0	8,179	8,179	8,358
TOTAL LIABILITIES	10,187	8,179	18,366	22,746
FUND EQUITY				
Restricted fund balance	2,732	0	2,732	2,457
Unrestricted fund balance	274,198	0	274,198	246,715
Designated fund balance	32,595	0	32,595	34,595
TOTAL FUND EQUITY	309,525	0	309,525	283,767
TOTAL LIABILITIES AND FUND EQUITY	\$ 319,712	\$ 8,179	\$ 327,891	\$ 306,513

The accompanying notes to the financial statements are an integral part of this statement.

PORTAGE LAKE DISTRICT LIBRARY
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Years Ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
REVENUES		
State Revenue:		
State aid	\$ 10,524	\$ 10,004
Single business tax	0	1,172
Total State Revenue	<u>10,524</u>	<u>11,176</u>
Local Revenue:		
Property taxes	296,705	290,053
Other tax	1,746	2,528
Penal fines	20,008	24,996
Non-resident fees	9,147	8,884
Overdue fines	4,867	4,859
Co-Op book grant	1,038	1,023
Grant revenue	6,648	1,189
Photocopier and fax fees	1,559	2,134
Lost/damaged materials	1,442	1,540
Book sales	484	486
Interest income	2,807	3,557
General donations	337	205
Dedicated contributions	1,290	1,143
Miscellaneous	849	1,163
Total Local Revenue	<u>348,927</u>	<u>343,760</u>
TOTAL REVENUE	<u>359,451</u>	<u>354,936</u>
EXPENDITURES		
Personnel	223,779	255,537
Travel and training	3,593	4,430
Administration	32,291	25,500
Materials and processing	27,594	32,094
Information technologies	14,288	15,942
Building expenditures	19,507	21,375
State aid for co-op	5,262	5,002
Grant expense	4,084	1,329
Dedicated contributions projects	1,072	433
Site evaluation	2,000	0
Miscellaneous	223	337
TOTAL EXPENDITURES	<u>333,693</u>	<u>361,979</u>
EXCESS OF REVENUES (EXPENDITURES)	<u>25,758</u>	<u>(7,043)</u>
FUND BALANCE, BEGINNING OF YEAR	<u>283,767</u>	<u>290,810</u>
FUND BALANCE, END OF YEAR	<u>\$ 309,525</u>	<u>\$ 283,767</u>

The accompanying notes to the financial statements are an integral part of this statement.

PORTAGE LAKE DISTRICT LIBRARY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended June 30, 2004

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES			
State Revenue:			
State aid	\$ 12,092	\$ 10,524	\$ (1,568)
Single business tax	1,000	0	(1,000)
Total State Revenue	<u>13,092</u>	<u>10,524</u>	<u>(2,568)</u>
Local Revenue:			
Property taxes	297,188	296,705	(483)
Other tax	0	1,746	1,746
Penal fines	24,996	20,008	(4,988)
Non-resident fees	7,000	9,147	2,147
Overdue fines	3,500	4,867	1,367
Co-op book grant	1,038	1,038	0
Grant revenue	6,648	6,648	0
Photocopier and fax fees	1,500	1,559	59
Lost/damaged materials	1,200	1,442	242
Book sales	250	484	234
Interest income	2,300	2,807	507
General donations	342	337	(5)
Dedicated contributions	1,200	1,290	90
Miscellaneous	350	849	499
Total Local Revenue	<u>347,512</u>	<u>348,927</u>	<u>1,415</u>
TOTAL REVENUE	<u>360,604</u>	<u>359,451</u>	<u>(1,153)</u>
EXPENDITURES			
Personnel	239,277	223,779	15,498
Travel and training	4,700	3,593	1,107
Administration	35,236	32,291	2,945
Materials and processing	30,824	27,594	3,230
Information technologies	15,581	14,288	1,293
Building expenditures	20,924	19,507	1,417
State Aid for Co-op	6,046	5,262	784
Grant expense	4,464	4,084	380
Dedicated contributions projects	1,025	1,072	(47)
Site evaluation	2,000	2,000	0
Miscellaneous	350	223	127
TOTAL EXPENDITURES	<u>360,427</u>	<u>333,693</u>	<u>26,734</u>
EXCESS OF REVENUES (EXPENDITURES)	<u>177</u>	<u>25,758</u>	<u>25,581</u>
FUND BALANCE, BEGINNING OF YEAR	<u>0</u>	<u>283,767</u>	<u>(283,767)</u>
FUND BALANCE, END OF YEAR	<u>\$ 177</u>	<u>\$ 309,525</u>	<u>\$ 309,348</u>

The accompanying notes to the financial statements are an integral part of this statement.

PORTAGE LAKE DISTRICT LIBRARY

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2004

The Portage Lake District Library was established in 1974 pursuant to development of a plan by the City of Houghton and the Township of Portage and Public Act No. 164 of 1955, as amended by Public Act No. 32 of 1970. The District also currently includes Chassell Township.

The District Library Board of Trustees consists of eight (8) members with three appointed by the Houghton City Council, three appointed by the Portage Township Board, and two appointed by the Chassell Township Board. The District Library Board of Trustees are given powers to maintain and operate a public library for the district. District Library operations are financed substantially through property taxes levied by the City and Townships. The District Library also provides services to Duncan Township through an agreement where the Library receives penal fines allocated to the Township by Houghton County.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the District Library conform to generally accepted accounting principles for local governmental units as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants. The following is a summary of the more significant policies:

FUND ACCOUNTING

The accounts of the Library are organized on the basis of funds and an account group, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. The available resources are allocated to and accounted for in the individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The fund utilized by the Library is by definition a governmental fund type.

GOVERNMENTAL FUND TYPES

General Fund - The General Fund is the general operating fund and accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.

LONG-TERM LIABILITIES

The accounting and reporting treatment applied to long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included in governmental fund balance sheets.

BASIS OF ACCOUNTING

The basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. The basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

PORTAGE LAKE DISTRICT LIBRARY

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All governmental funds are accounted for using the modified accrual basis of accounting. Under modified accrual, revenues are recognized when they become both measurable and available to finance expenditures of the current period. Significant revenues susceptible to accrual include property taxes, state and federal sources, and intergovernmental revenues. Other revenue sources, such as permits, charges for services, fees, fines, rentals, and others are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are not accrued in the governmental fund types. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

BUDGETS AND BUDGETARY ACCOUNTING

The Library's annual budget is prepared in June of each year by the finance committee, consisting of the Treasurer and three trustees, with assistance from the library director. The District Library Board reviews and adopts the annual budget prior to the beginning of the new fiscal year.

The Library Board adopts the budget on a line item basis and has the authority to amend the budget when it becomes apparent that deviations in the original budget will occur and the amount of the deviation can be determined.

The general statute governing District Library budgetary activity is the State of Michigan Uniform Budgeting and Accounting Act.

ENCUMBRANCES

Encumbrances are defined as commitments related to unperformed contracts for goods and services. The Library does not record encumbrances in the normal course of operating its accounting system and none are recorded in the accompanying financial statements.

PROPERTY TAXES

The Library receives property tax revenues levied by the City of Houghton, Portage Township, and Chassell Township as its major source of revenue to finance operations. Each of the municipalities levy taxes on December 1 and the majority of payments are received in December through February of each year. Property tax revenues are recognized on the records of the Library when levied to the extent that they result in current receivables.

The 2003 taxable valuation of Portage District Library amounted to \$159,917,123 on which ad valorem taxes of \$319,834 were levied for operating purposes (2.00 mills). This amount is recorded as revenue for the fiscal year.

NOTE B - CASH AND INVESTMENTS

CASH

At June 30, 2004, the book value of the Library's demand deposits, consisting of checking accounts and savings accounts, was \$254,428 with a corresponding bank balance of \$261,186. Qualifying deposits are insured by the Federal Deposit Insurance Corporation up to \$100,000. Of the bank balance, \$200,751 representing approximately

PORTAGE LAKE DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2004
NOTE B - CASH AND INVESTMENTS - (Continued)

77% of the Library's deposits, was covered by Federal Depository Insurance. Michigan law does not require collateralization of government deposits, therefore, only the \$200,751 was insured and \$60,435 was neither insured nor collateralized.

INVESTMENTS

The investment of the Library's funds is governed by state statutes. In general, state statutes provide that the Library is authorized to invest its funds in certificates of deposit, savings accounts, and deposit accounts in a bank which is a member of the Federal Deposit Insurance Corporation. In addition, it may also invest in bonds, securities, and other obligations of the United States in which the principal and interest is fully guaranteed by the United States, and investments in commercial paper rated prime at the time of purchase and which matures not more than 270 days after the date of purchase.

Investments that are represented by specific identifiable investment securities are classified as to credit risk by the three categories described below:

1. Insured or registered, or securities held by the entity or its agent in the entity's name.
2. Uninsured and unregistered, with securities held by the counter party's trust department or agent in the entity's name.
3. Uninsured and unregistered, with securities held by the counter-party or by its trust department or agent but not in the entity's name.

At June 30, 2004, the Library's investments were as follows:

	Categories			Carrying Amount	Market Value
	1	2	3		
Cash Equivalents	\$ -	\$ 386	\$ -	\$ 386	\$ 386
Huntington Bancshares Stock	-	3,664	-	3,664	3,424
Total	\$ -	\$ 4,050	\$ -	\$ 4,050	\$ 3,810

NOTE C - ACCUMULATED UNPAID VACATION AND SICK/PERSONAL LEAVE

Employees accumulate sick leave based on their actual hours worked times a pre-determined multiplier, to a maximum of 240 hours. Upon the death or retirement of any employee, accumulated sick/personal leave days shall be paid to the employee (or, in the event of death, to the employee's estate) according to the following schedule:

- after three years of employment, $\frac{1}{4}$ of accumulated sick/personal leave
- after five years of employment, $\frac{1}{2}$ of accumulated sick/personal leave
- after eight years of employment, $\frac{3}{4}$ of accumulated sick/personal leave
- after ten years of employment, all of accumulated sick/personal leave

Vacation pay is accumulated based on the actual hours worked times a pre-determined multiplier and cannot exceed 2 times the employee's annual entitlement. Accumulated vacation and sick leave vested at June 30, 2004 and 2003, was \$8,179 and \$8,358, respectfully. Accordingly, it has been recorded as a liability in the General Long-Term Obligations Account Group.

PORTAGE LAKE DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2004
NOTE D - BUDGETING AND ACCOUNTING

The State of Michigan has enacted Public Act 621, the Uniform Budgeting and Accounting Act, to provide for a system of uniform procedures for the preparation and execution of budgets in local units of government. The main purpose of P.A. 621 is to require that all local units adopt balanced budgets, to establish responsibilities and define the procedures for the preparation, adoption and maintenance of the budget, and to require certain information for the budget process, including data for capital construction projects. Major provisions of P.A. 621 are as follows:

1. Local units of government must adopt a budget.
2. The budget, including accrued deficits and available unappropriated surpluses, must be balanced.
3. The budget must be amended when necessary.
4. Debt shall not be entered into unless authorized in the budget.
5. Expenditures shall not be incurred in excess of the amount appropriated.
6. Expenditures shall not be made unless authorized in the budget.
7. Violations of the act, disclosed in an audit of the financial records, in the absence of reasonable procedures, shall be filed with the State Treasurer and reported to the Attorney General.

During the year ended June 30, 2004, the Library's expenditures in certain budgetary funds which were in excess of the amounts appropriated, were as follows:

<u>Fund/Activity</u>	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variances</u>
Dedicated contributions projects	\$1,025	\$1,072	\$(47)

NOTE E - RISK MANAGEMENT

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destructions of assets; errors and omissions; injuries to employees; and natural disasters. The Library continues to carry commercial insurance for property, liability, wrongful acts, and other risks of loss including worker's compensation and accident insurance.

NOTE F - RESTRICTED FUND BALANCE

Restricted fund balance represents the amount of the excess of dedicated contributions received over dedicated contributions spent. Activity regarding the restricted fund balance for the year ended June 30, 2004 is as follows:

Beginning fund balance at June 30, 2003	\$	2,457
Plus: Dedicated contributions		1,290
Subtotal		<u>3,747</u>
Less: Dedicated contributions projects		1,015
Ending fund balance at June 30, 2004	\$	<u><u>2,732</u></u>

PORTAGE LAKE DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2004
NOTE G - DESIGNATED FUND BALANCE

The board has designated a portion of the General Fund balance for various future projects and contingencies. Activity regarding fund balance for the year ended June 30, 2004 is as follows:

<u>Purpose</u>	Beginning Balance July 1, 2003	New Designations	Designations Expended	Ending Balance June 30, 2004
Automated System	\$ 3,000	\$ -	\$ -	\$ 3,000
Technology Fund	8,915	-	-	8,915
Building Project/Renovation	22,680	-	2,000	20,680
	<u>\$ 34,595</u>	<u>\$ -</u>	<u>\$ 2,000</u>	<u>\$ 32,595</u>

SUPPLEMENTAL INFORMATION

PORTAGE LAKE DISTRICT LIBRARY
DETAIL STATEMENTS OF EXPENDITURES
For the years ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Personnel		
Salaries & wages	\$ 194,064	\$ 210,545
Employer FICA expense	15,016	16,129
Medical insurance	8,857	22,099
Workers Compensation	1,315	1,219
Other	4,527	5,545
Total Personnel	<u>223,779</u>	<u>255,537</u>
Travel, Training, and Education		
Transportation	2,522	3,289
Staff training and education	1,071	1,141
Total Travel, Training, and Education	<u>3,593</u>	<u>4,430</u>
Admininstration		
General	3,068	1,718
Supplies	2,638	3,059
Equipment	172	379
Insurance	5,071	5,327
Accounting	3,894	3,490
Postage/shipping	4,480	3,735
Computer software - office	576	747
Telephone	9,643	4,078
Library promotion	2,749	2,967
Total Administration	<u>32,291</u>	<u>25,500</u>
Materials and Processing		
Books purchased:		
Adult	7,856	10,357
Juvenile	4,803	5,373
Periodicals purchased:		
Adult	4,745	4,594
Juvenile	381	374
Audio purchases:		
Adult	1,702	1,599
Juvenile	415	480
Video purchases:		
Adult	509	510
Juvenile	50	66
Music CD's	30	356
Replacement books:		
Adult	245	524
Juvenile	225	679

PORTAGE LAKE DISTRICT LIBRARY
DETAIL STATEMENTS OF EXPENDITURES - (CONTINUED)
For the years ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Replacement audio:		
Adult	26	199
Juvenile	6	(15)
Replacement video:		
Adult	15	0
Juvenile	52	0
Lost/damaged books:		
Adult	185	546
Juvenile	369	507
Lost/damaged audio:		
Adult	65	137
Juvenile	0	50
Lost/damaged video:		
Adult	0	34
Materials supplies	3,056	2,997
Information computer software	1,595	1,575
OCLC annual costs	1,264	1,152
Total Materials and Processing	<u>27,594</u>	<u>32,094</u>
Information Technologies		
Computer equipment	3,461	3,492
Technology support	2,478	2,445
Computer supplies	899	601
Miscellaneous computer software	390	132
Automated system maintenance	7,060	9,272
Total Information Technologies	<u>14,288</u>	<u>15,942</u>
Building Expenditures		
Building maintenance	1,791	2,271
Building repair	8,224	8,105
Maintenance and repair supplies	1,373	1,859
Utilities	7,875	7,043
Furnishings	244	2,097
Total Building Expenditures	<u>19,507</u>	<u>21,375</u>
Miscellaneous Expenditures		
State Aid for Co-op	5,262	5,002
Grant expense	4,084	1,329
Dedicated contribution project	1,072	433
Site Evaluation	2,000	0
Miscellaneous	224	336
Total Miscellaneous Expenditures	<u>12,642</u>	<u>7,100</u>
Total Expenditures	<u>\$ 333,694</u>	<u>\$ 361,978</u>



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COMMENTS AND RECOMMENDATIONS LETTER

Board of Trustees
Portage Lake District Library
Houghton, Michigan

We have audited the financial statements of the Portage Lake District Library as of and for the year ended June 30, 2004 and have issued our report thereon dated August 1, 2004. As part of our audit, we made a study of the internal control structure to the extent we considered necessary and as required by auditing standards generally accepted in the United States of America.

Whereas our study and evaluation disclosed no conditions that we believed to be material weaknesses, certain items did come to our attention where we feel improvements could be made. The comments and recommendations below are submitted for your consideration:

FIXED ASSETS

A General Fixed Assets group of accounts should be established for the Library. This would include an inventory of all properties owned, segregated by land, buildings, and equipment, priced at cost or an appraised value where actual costs are difficult or impossible to determine.

INSURED DEPOSITS

We noted that approximately seventy-seven percent (77%) of the Library's deposits are insured by the Federal Deposit Insurance Corporation (FDIC). We recommend that deposits be extended to various financial institutions to decrease the risk of loss to the Library.

BUDGET OVER EXPENDITURES

Comparing actual to budgeted expenditures shows that over expenditures have occurred. P.A. 621 of 1978, section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. General Fund over-expenditures occurred in the activity areas as follows:

<u>Fund/Activity</u>	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variances</u>
Dedicated contributions projects	\$1,025	\$1,072	\$(47)

We would like to thank the administration and staff for the excellent cooperation we received during our audit. We appreciate the opportunity to present these comments and recommendations for your consideration and we are prepared to discuss them at your convenience.

Bruce A. Rukkila, CPA, PC
Certified Public Accountants

August 1, 2004